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Pakistan posts \$1.2bn CAD in July-Dec

Swelling trade deficit driven by higher imports turns current account red

By Shahid Iqbal

KARACHI: Pakistan posted a current account deficit (CAD) of \$1.174 billion during the first half of 2025-26 compared with a surplus of \$957 million in the same period last year, the State Bank said on Monday.

The government has projected a CAD of around \$2.1bn, or within 0-1 per cent of GDP, for FY26, anticipating higher imports driven by economic growth.

Experts believe the changing geopolitical situation could disrupt oil prices, putting pressure on Pakistan's balance of payments as the country relies entirely on imported oil. They warn that any renewed conflict in the Middle East, such as an attack on Iran, could suddenly affect supply chains and push oil prices higher. Rising oil prices would further worsen the country's current account imbalance.

The State Bank and the government believe that higher imports contribute to the current account deficit, with oil accounting for the largest share of imports. In FY25, the country spent \$15bn on petroleum product imports out of total imports of \$59bn. Despite these imports, the current account recorded a surplus of \$2bn.

On Monday, international crude oil prices ranged between \$59 and \$63 per barrel and remained volatile amid fears of a possible attack on Iran.

According to the SBP data, the current account posted a surplus of \$98 million in November, but turned into a deficit of \$244m in December. Both quarters of the current fiscal year recorded deficits: \$737m during July-September and \$437m during October-December.

Although the State Bank's foreign exchange reserves have improved during the current financial year, they remain insufficient to cover petroleum imports for the entire year. During the first half of FY26, the country spent \$7.1bn on petroleum product imports, compared to \$7.3bn in the same period of FY25.

The government has set an export target of \$60bn over three years, but exports depend 35 to 40pc on imported inputs. Weak manufacturing activity and declining cotton production have increased the import bill. Pakistan imported cotton worth \$2.3bn in FY25, and production has declined again this year, indicating that more dollars will be required to boost exports. The textile sector remains the largest source of export earnings.

The current account surplus in FY25 helped stabilise market sentiment and the exchange rate, preventing panic in the dollar market.

The trade deficit widened from \$14.5bn to \$19.2bn in the first half of FY26, sending a clear signal about future trends. Apart from concerns over higher oil prices, the import bill is expected to continue rising as low GDP growth has increased pressure on the government. The government has been held responsible over the past three years for low GDP growth, which has pushed about 46pc of the population below the poverty line.

Foreign direct investment plunges 43pc

Heightened regional tensions weigh on investor sentiment

By Our Staff Reporter

KARACHI: Foreign direct investment (FDI) plunged by 43 per cent during the first half of the current fiscal year, denting the government's hopes of attracting overseas capital amid growing regional uncertainty.

Data for July-December FY26 shows total FDI at \$808 million, down from \$1.425 billion in the corresponding period last year.

Analysts attribute the sharp fall to heightened geopolitical risks, including tensions with Iran, the brief conflict with India, and the broader Iran-Israel and US-Iran stand-off, which have made investors more cautious.

The fragile sentiment was particularly evident in December, when net FDI turned negative. While inflows amounted to \$322.5m during the month, outflows stood at \$457.3m, resulting in a net outflow of \$135m. Market observers warned that any escalation involving Iran could disrupt Pakistan's trade flows and further undermine investor confidence.

China remained the largest contributor, investing \$423m during the six-month period, followed by Hong Kong with \$164m. Together, the two accounted for 73pc, or \$587m, of total FDI. Other notable inflows came from the United Arab Emirates (\$112m) and Switzerland (\$107m).

The subdued investment climate has also been reflected in the government's inability to attract foreign buyers for Pakistan International Airlines. Officials have recently expressed optimism about potential exports of locally produced fighter jets to ease external liabilities, though no firm agreements have yet been finalised.

 US DOLLAR BUYING Rs280.37 SELLING Rs281.18	 EURO BUYING Rs325.91 SELLING Rs329.04
 GBP BUYING Rs375.59 SELLING Rs379.04	 UAE DIRHAM BUYING Rs76.55 SELLING Rs77.30
 KSA RYIAL BUYING Rs74.83 SELLING Rs75.45	 GOLD TOLA Rs489,362 10 GMS Rs419,549

PSX hits new peak despite economic concerns

By Muhammad Kashif

KARACHI: Despite signs of economic fragility, including a current account deficit and a sharp plunge in foreign direct investment in December 2025, equity investors continued their buying spree, propelling the Pakistan Stock Exchange (PSX) to a fresh all-time closing high near the 188,000-point mark on Monday amid strong expectations of another policy rate cut.

According to Topline Securities Ltd, bulls remained firmly in control throughout the session, driving the benchmark index to an intraday high of 2,783 points before it settled at 187,761, up 2,662 points or 1.44pc.

Market sentiment remained buoyant amid growing expectations of an imminent interest rate cut, with participants increasingly pricing in a 50-basis-point reduction at the forthcoming monetary policy meeting on Jan 26. This outlook sustained broad-based buying across sectors.

Gold, silver scale fresh highs

BENGALURU: Gold and silver hit record highs on Monday, driven by a flight to safety after US President Donald Trump warned of extra tariffs on some European countries in a dispute over Greenland.

Spot gold jumped 1.7 per cent to \$4,672.49 an ounce by 12:05pm ET (1705 GMT), after scaling a record peak of \$4,689.39.

US gold futures for February delivery advanced 1.8pc to \$4,677.70 an ounce.

Trump threatened several European allies with a series of escalating tariffs on Saturday unless the US is allowed to buy Greenland, intensifying a dispute over Denmark's vast Arctic island.

Markets expect the Fed to leave rates on hold at its meeting over January 27-28 but are pricing in at least two cuts of 25 basis points this year.

Elsewhere, spot silver climbed 5pc to \$94.41 an ounce after hitting a record high of \$94.61. Silver has risen more than 32pc since the start of the year.

Analysts at Citi Research said they remain tactically bullish on precious metals, setting price targets of \$5,000 an ounce for gold and \$100 an ounce for silver in the next three months.

In other metals, spot platinum added 1.5pc to \$2,362.65 an ounce while palladium rose 1.1pc to \$1,819.99.—Reuters

Regulations amended for rights shares

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has amended the Companies (Further Issue of Shares) Regulations 2020.

As a result, the requirement for a clean CIB report will not apply if the relevant persons provide a No Objection Certificate (NOC) from the financial institution concerned regarding the proposed rights issue.

The SECP has said that the amendment will facilitate capital raising by listed companies while maintaining adequate disclosure requirements for investors.

The amendments address a challenge faced by listed companies when raising further capital from existing shareholders through a rights issue.

Under the previous framework, listed companies were prohibited from announcing a rights issue if the company, its sponsors, promoters, substantial shareholders, or directors had any overdue amounts or defaults appearing in their Credit Information Bureau (CIB) report.—Staff Reporter

PAKISTAN STOCK EXCHANGE

THE TOP FIVE S

GAINERS

Service Industries143.46

Unilever Foods102.08

Hoechst Pakistan56.81

Indus Motor55.34

Sapphire Fibres47.69

LOSERS

PIA Holding CoB181.99

Khyber Textile54.75

Supernet Techno22.52

D.M. Corporation20.91

PSNC15.32

LEADERS*

Bank Makramah246.26

PIBT104.62

K-Electric63.31

Arif Habib Corp36.64

Pak Elektron35.77

(Share values in rupees)

* Volume in millions of traded shares

ACTIVITY

Total listed532

Active486

Gainers278

Losers167

PARTICIPANTS

Foreign▼\$3.80m

Companies▲\$0.38m

Banks▲\$1.88m

Mutual Funds▲\$10.3m

Individuals▼\$3.90m

INDICATORS

Monday

Previous

Change

KSE 100-SHARE INDEX (Points)

187,761.69

185,098.83

▲3,642.49

KSE 30-SHARE INDEX (Points)

57,522.35

56,737.75

▲784.61

MARKET CAPITAL (Rs billion)

21,194.519

20,974.905

▲219.614

TRADING VALUE (Rs billion)

63.800

69.463

▼5.663

ing across sectors.

Select stocks, including Nishat Mills Ltd, Adamjee Insurance Company Ltd, IGI Holdings Ltd and Lucky Cement, attracted notable investor interest. On the index front, Engro Holdings, United Bank, Hub Power, Fauji

Fertiliser, Meezan Bank and Service Industries emerged as the top contributors, together adding 1,554 points.

Ali Najib, deputy head of trading at Arif Habib Ltd, said the PSX extended its bullish momentum across the

board, supported by upbeat sentiment, better-than-expected corporate results, and rising expectations of a policy rate cut. He added that recent Treasury bill and Pakistan Investment Bond auctions had reinforced signals of further monetary easing.

On the corporate front, hydrocarbons were discovered in the Tal Block, with expected gas production of 1.37 million cubic feet per day. MOL operates the block with a 10pc stake, while Pakistan Petroleum and OGDC each hold 30pc, Pakistan

Oilfields owns 25pc, and Government Holdings (Pvt) Ltd retains 5pc.

On the macroeconomic side, Pakistan recorded a current account deficit of \$244 million in December 2025, compared to surpluses of \$454m in December 2024 and \$98m in November 2025. During the first half of FY26, the current account posted a deficit of \$1.174 billion, compared with a surplus of \$957 million in the same period last year. The country also witnessed a net FDI outflow of \$135m in December.

Trading activity rose 24.92pc to 1.19bn shares, although traded value declined 8.15pc to Rs63.8bn. Bank Makramah Ltd led the volume chart with 247m shares.

Market participants expect the positive momentum to persist, potentially pushing the index to new highs, supported by expectations of monetary easing and improving corporate earnings, although bouts of volatility cannot be ruled out.

IT exports surge to record \$437m in December

By Our Staff Reporter

ISLAMABAD: Pakistan recorded its highest-ever monthly information technology (IT) exports at \$437 million in December 2025, marking a 26 per cent increase compared to the same month last year.

During the first half (July-December) of 2025-26, IT exports reached \$2.2 billion, posting a growth of 20pc over the corresponding period of the previous year.

According to a report compiled by Topline Research, the year-on-year growth in December was driven by an expansion in the global client base of Pakistani IT exporters, particularly in the Gulf Cooperation Council region.

The report noted that the State Bank of Pakistan's relaxation of the permissible retention limit in Exporters' Specialised Foreign Currency Accounts from 35pc to 50pc has enhanced confidence among IT companies, prompting them to repatriate earnings rather than park funds abroad.

Another contributing factor was the government's decision to allow equity investment abroad through specialised foreign currency accounts.

"The SBP's introduction of Equity Investment Abroad (EIA), allowing IT exporters to acquire interest in entities abroad using up to 50pc of proceeds from specialised foreign currency accounts, will continue to boost confidence of IT exporters to remit proceeds back to Pakistan," said Sania Irfan of Topline Research.

Meanwhile, the Pakistan Software Houses Association (P@SHA) said that around 62pc of IT companies maintained specialised foreign currency accounts.

The government has set a target of \$5bn in IT exports for 2025-26, and analysts remain optimistic that the goal will be achieved.

Under the 'Uraan Pakistan' national economic plan, the government has also set a target of \$10bn in IT exports by 2028-29.

India proposes linking BRICS' digital currencies

MUMBAI: India's central bank has proposed that BRICS countries link their official digital currencies to make cross-border trade and tourism payments easier, two sources said, which could reduce reliance on the US dollar as geopolitical tensions rise.

The Reserve Bank of India (RBI) has recommended to the government that a proposal connecting the central bank digital currencies (CBDCs) be included on the agenda for the 2026 BRICS summit, the sources said. They requested anonymity because they were not authorised to speak publicly.

India will host the summit, which will be held later this year. If the recommendation is accepted, a proposal to link the digital currencies of BRICS members would be put forward for the first time. The BRICS organisation includes Brazil, Russia, India, China and South Africa, among others.

The initiative could irritate the US, which has warned against any moves to bypass the dollar.

US President Donald Trump has previously said the BRICS alliance is "anti-American" and

he threatened to impose tariffs on its members.

The RBI, India's central government and the central bank of Brazil did not respond to emails seeking comment. The People's Bank of China said it had no information to share on the subject in response to a Reuters request for comment; the South African and Russian central banks declined to comment.

The RBI's proposal to link BRICS' CBDCs for cross-border trade finance and tourism has not been previously reported.

Building bridges

The RBI's proposal builds on a 2025 declaration at a BRICS summit in Rio de Janeiro, which is pushed for interoperability between members' payment systems to make cross-border transactions more efficient.

The RBI has publicly expressed interest in linking India's digital rupee with other nations' CBDCs to expedite cross-border transactions and bolster its currency's global usage. It has, however, said its efforts to promote the rupee's global use are not aimed at promoting de-dollarisation.—Reuters



KARACHI: An increase of \$75 per ounce sent gold to a new record peak of \$4,670 per ounce on Monday, thus taking the 10-gram and one-tola rates to an all-time high of Rs419,549 and Rs489,362, respectively, showing a jump of Rs6,431 and Rs7,500 from Saturday's rate. —AFP/file

JazzWorld locks Rs75bn swap deal with UBL

By Fatima S. Attarwala

KARACHI: JazzWorld, an integrated digital services company, has executed Pakistan's largest-ever interest rate swap (IRS) transaction of Rs75 billion with United Bank Ltd (UBL).

An interest rate swap is a financial contract under which two parties exchange interest payment obligations, typically swapping a fixed interest rate for a floating rate for a predetermined amount over a specified period. Such instruments allow borrowers to better manage interest rate risk or secure more favourable financing terms.

Jazz's Chief Financial Officer Farrukh Khan said that in Pakistan, most corporate loans are on variable rates, which adjust every three to six months. "For our growth, we borrow long term, but until now, we had no certainty over future interest costs," he said.

In Pakistan, most corporate loans are extended on a variable-rate basis, with interest rates rising or falling every three to six months, depending on the facility. For growth, Jazz typically borrows long-term, often for up to 10 years, but without certainty over whether future interest costs will be higher or lower, which creates significant uncertainty, particularly in the local volatile

operating environment, he explained.

The IRS covers about Rs35bn for five years and the balance for seven years, representing roughly 28-29 per cent of Jazz's total debt. "While the majority of our debt remains variable, this transaction reduces uncertainty in financing costs and cash flows, allowing us to focus on revenue growth and business development," Mr Khan added.

Jazz is among the largest borrowers in the country, Mr Khan said, adding that with upcoming spectrum auctions on the horizon, the company expects its borrowing requirements to increase further.

According to a note by Arif Habib Limited (AHL), the benchmark Karachi Interbank Offered Rate (Kibor) on the prevailing floating-rate loan was last reset in November 2025, with the total borrowing cost estimated at 11.5-12.0pc, based on the six-month Kibor plus 60 basis points. By fixing the rate through the swap, Jazz secures greater cost predictability and insulates itself against the risk of future interest rate increases.

Praising Pakistan's progress in its digital and financial systems, Borak Ozer, Chief Financial Officer of Jazz's parent company Veon, said it would like to replicate its success in other countries. "From a revenue perspective, Pakistan is our flagship entity, and we would like to copy-paste the model here to Bangladesh," he said.

IMF lifts growth forecast, but flags AI, trade risks

WASHINGTON: The IMF upgraded its 2026 global growth forecast on Monday, citing a boost from tech investments but warning that a revaluation of AI productivity gains or renewed trade tensions could bring disruptions.

World economic growth is projected to hold steady at 3.3 per cent this year, the International Monetary Fund said, raising its forecast by 0.2 percentage points from October. This would be the same pace of growth as in 2025.

But the Washington-based lender cautioned in its World Economic Outlook update that "the resilience exhibited so far is driven largely by a few sectors," signaling vulnerability.

While the global economy appears to be "shaking off the trade and tariff disruptions of 2025,"

this does not mean they had no impact, said IMF chief economist Pierre-Olivier Gourinchas.

Instead, the challenges were offset by "tailwinds from the AI and tech investment boom," he told reporters.

This was especially true in North America and Asia, the IMF said.

The private sector also showed adaptability in dealing with trade shocks, while fiscal and monetary support provided boosts.

After he returned to the White House last January, US President Donald Trump unleashed sweeping tariffs that hit allies and competitors alike, roiling financial markets and supply chains while causing trade tensions to rocket.

But temperatures cooled over the year as the Trump administration struck

with several partners and crucially reached a temporary truce with the world's second-biggest economy, China.

For now, global inflation is expected to drop from an estimated 4.1pc in 2025 to 3.8pc in 2026.

"We see that we're in this world in which trade tensions can erupt, geopolitical tensions can erupt. And that's a downside risk for the global economy," Gourinchas told AFP during an interview in Brussels.

Nonetheless, the IMF said trade policy uncertainty remains much higher than in January 2025 and there could still be occasional flare-ups.

The US Supreme Court is also due to rule on the legality of Trump's use of emergency economic powers to impose tariffs on goods from virtually all trading partners.—AFP